

1 WILLIAM P. WOOD  
 California Corporations Commissioner  
 2 VIRGINIA JO DUNLAP (CA BAR NO. 142221)  
 Deputy Commissioner  
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 Supervising Counsel  
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7 Attorneys for Complainant

9 BEFORE THE DEPARTMENT OF CORPORATIONS  
 10 OF THE STATE OF CALIFORNIA

12 In the Matter of THE CALIFORNIA	) File No.: 963-1989
13 CORPORATIONS COMMISSIONER,	)
14 Complainant,	) ORDER TO DISCONTINUE ESCROW
15 vs.	) ACTIVITIES PURSUANT TO CALIFORNIA
	) FINANCIAL CODE SECTION 17415
16 GRACELAND ESCROW SERVICES	)
17 CORPORATION fka ENCINA ESCROW	)
18 SERVICES CORPORATION,	)
19 Respondent.	)

20 TO: GRACELAND ESCROW SERVICES CORPORATION  
 21 377 S. Lemon Ave., Ste. E  
 Walnut, California 91789  
 22 CITY NATIONAL BANK  
 23 5601 East Slauson Ave.  
 24 City of Commerce, California 9040

25 THE CALIFORNIA CORPORATIONS COMMISSIONER FINDS THAT:

- 26 1. Graceland Escrow Services Corporation does not have a person stationed at its  
 27 licensed location that meets the experience requirements of California Financial Code section  
 28 17200.8.
2. Graceland Escrow Services Corporation is unable to provide any evidence that it

meets the net worth and liquidity requirements of California Financial Code section 17210.

3. Graceland Escrow Services Corporation has failed to maintain its books and records in accordance with the Escrow Law (California Financial Code section 17000 et. seq.) as follows:

A. The most recent trust account reconciliation provided by Graceland Escrow Services Corporation on November 2, 2004 was for the period ended September 30, 2004 and disclosed an adjusted escrow balance and adjusted bank balance of *negative* \$303,902.51. The September 30, 2004 reconciliation also contained one hundred and eighteen (118) adjustments that have not been researched and corrected in violation of California Financial Code section 17404 and California Code of Regulations, title 10, section 1732.2. Several of the adjustments date back to June 2003. A preliminary review of the September 30, 2004 reconciliation by the Commissioner's examiner reveals that many of the adjustments appear to be posting errors and will not create actual debit balances (escrow shortages). However, there are numerous adjustments that once corrected will create debit balances in violation of California Code of Regulations, title 10, section 1738.1.

B. Graceland Escrow Services Corporation has been unable to meet the demands of the Commissioner to provide a proper trust account reconciliation for the period ended September 30, 2004.

C. The escrow liability ledgers provided by Graceland Escrow Services Corporation on November 2, 2003 disclose debit balances in seven (7) escrows totaling \$251,588.06 in violation of California Code of Regulations, title 10, section 1738.1.

As a result of the failure of Graceland Escrow Services Corporation to maintain proper books and records, the Commissioner has been unable to determine whether a true shortage exists in the trust account of Graceland Escrow Services Corporation or whether it meets the tangible net worth and liquid asset requirements of the California Financial Code section 17210.

Based upon the foregoing, Graceland Escrow Services Corporation is conducting escrow business in such an unsafe and injurious manner as to render further operations hazardous to the public or to customers.

NOW, BASED ON THE FOREGOING, AND GOOD CAUSE APPEARING  
THEREFORE, it is hereby ORDERED, under the provisions of California Financial Code section

17415, that Graceland Escrow Services Corporation and any person having in his or her possession any escrow or trust funds or general account funds discontinue immediately the receipt or disbursement of any such funds, documents or other property in its possession, custody or control.

This order is to remain in full force and effect until further order of the Commissioner.

California Financial Code section 17415 provides as follows:

(a) If the commissioner, as a result of any examination or from any report made to him or her, shall find that any person subject to this division is in an insolvent condition, is conducting escrow business in such an unsafe or injurious manner as to render further operations hazardous to the public or to customers, has failed to comply with the provisions of Section 17212.1 or 17414.1, has permitted its tangible net worth to be lower than the minimum required by law, has failed to maintain its liquid assets in excess of current liabilities as set forth in Section 17210, or has failed to comply with the bonding requirements of Chapter 2 (commencing with Section 17200) of this division, the commissioner may, by an order addressed to and served by registered or certified mail or personal service on such person and on any other person having in his or her possession or control any escrowed funds, trust funds or other property deposited in escrow with said person, direct discontinuance of the disbursement of trust funds by the parties or any of them, the receipt of trust funds, the delivery or recording of documents received in escrow, or other business operations. No person having in his or her possession any of these funds or documents shall be liable for failure to comply with the order unless he or she has received written notice of the order. Subject to subdivision (b), the order shall remain in effect until set aside by the commissioner in whole or in part, the person has been adjudged bankrupt, or pursuant to Chapter 6 (commencing with Section 17621) of this division the commissioner has assumed possession of the escrow agent.

(b) Within 15 days from the date of an order pursuant to subdivision (a), the person may request a hearing under the Administrative Procedure Act, Chapter 5 (commencing with Section 11500) of Division 3 of Title 2 of the Government Code. Upon receipt of a request, the matter shall be set for hearing to commence within 30 days after such receipt unless the person subject to this division consents to a later date. If no hearing is requested within 15 days after the mailing of service of such notice and none is ordered by the commissioner, the failure to request a hearing shall constitute a waiver of the right for a hearing. Neither the request for a hearing nor the hearing itself shall stay the order issued by the commissioner under subdivision (a).

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Dated: November 10, 2004  
Los Angeles, CA

WILLIAM P. WOOD  
California Corporations Commissioner

By \_\_\_\_\_  
Steven C. Thompson  
Special Administrator, Escrow Law